calls will be forthcoming only on dates when our own commitments fall due with the result that the loss of interest has been reduced to a minimum. The popularity of this loan is further evidenced by the fact that within a few days of its issue the loan went to a premium and today it is quoted at a premium of Re. 1—8—0.

Financial Position.

4. The success of this loan is a sure indication of the confidence which the money market has in the financial strength of the Cochin Government. Our financial position is certainly very strong as the budget figures will disclose. The accounts of 1110 have closed with a small surplus and though the revised estimate for 1111 shows a deficit we have succeeded in preparing the budget of 1112 with a small surplus. It is hoped that when the current year closes the actuals will disclose that the anticipated deficit of the current year will not be as great as the revised estimates indicate. Though the budgetary position of the Cochin Government can be said to be quite strong, the financial position will have to be watched very carefully and controlled very strictly. The fundamental fact in the financial position of the Cochin Government is that its sources of revenue are practically inelastic but the demands on the revenue are expanding every day. If we are not to be landed very soon in financial difficulties, the current expenditure should be kept under very strict control. It would be interesting and instructive to compare the growth of the revenue and the expenditure of the State during the last ten years. The accounts of the year 1110 have been closed and a comparative study of the financial position for the ten years ending 1110 would reveal very interesting features of the situation. In 1100 the total revenue of the State from all sources was Rs. 76.59 lakhs. In 1110 the revenue was Rs. 97.41 lakhs. There has been an increase of Rs. 20.82 lakhs in the revenue during these ten years. What is interesting to note is that this increase has been brought about without any additional taxation worth mentioning. During this period the only additional burden by way of new tax was the levy of income-tax which has yielded about Rs. 2.70 lakhs. The land revenue during this period has remained almost constant. The income from excise which is an indirect source of taxation has really gone down. The sources from which the enhanced revenue has been obtained are chiefly from our share of the customs revenue and from the increased profit on the working of our railway. The State has therefore during

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these 10 years increased its resources without levying any additional burden on the shoulders of the taxpayer. Looking at the expenditure side it would be found that in 1100 the total expenditure was Rs. 65.03 lakhs while in 1110 it was Rs. 96.83 lakhs. There has thus been an increase of 31.80 lakhs in the expenditure during this period. Compared with 1100 the expenditure has gone up by very nearly 50%. The items of expenditure which go to make up this increase would reveal that a good deal of this extra expenditure has been on social service like education, medical and public health and the development of Panchayats. Expenditure on education increased during this period from 11.17 lakhs to nearly Rs. 17 lakhs. The expenditure on medical and public health has increased from Rs. 3.70 lakhs to Rs. 6.28 lakhs and the expenditure on Panchayats which was nil in 1100 is Rs. 2.11 lakhs in 1110. The expenditure on social service has therefore increased during this period by about 11 lakhs of rupees.

5. The problem that confronts the Government of today is to meet the increasing demands that are made every year especially by the departments concerned with nation building activities. The expansion in the activities of Government has resulted in commitments which go on increasing at an almost alarming speed every day. The fact that has to be noted is that some of these commitments have a tendency to increase as the years pass by. The expenditure on pension and gratuity would illustrate what I mean. The total expenditure under pension and gratuity in 1100 was only Rs. 1.35 lakhs: in 1110 it rose to Rs. 3.83 lakhs and it is still increasing. In other words the policy of expansion has led to commitments which automatically expand every year. Unfortunately for us the sources of our revenue are not so elastic. A very rigid control has therefore to be kept over almost every department. Otherwise it will be found that in a few years the recurring expenditure would by far exceed the revenue of the year. Many of our sources of revenue as I observed are inelastic. Land revenue has become a stationary item. The income under excise shows a tendency to go down. The only sources from which we can expect further increase are the harbour and the railway. It must however take some time before the income from these sources shows any considerable increase.

Income Tax.

6. With a view to increase our revenue to some extent and with a view to have a more equitable basis we have decided

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